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Message Text

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E.O. 11652: GDS

TAGS: ECON, EGEN, UR

SUBJECT: APPARENT DISCREPANCIES IN SOVIET MID-YEAR
PRODUCTION STATISTICS

REF: MOSCOW 12164

1. OF THE ITEMS LISTED IN REFTEL WITH ANOMALIES, THE PREPONDERANCE OF THEM ARE REPORTED IN RUBLES. PART OF THE EXPLANATION IS THAT THE SOVIETS HAVE BEGUN REPORTING VALUES IN CONSTANT PRICES OF A DIFFERENT BASE YEAR. ACCORDING TO "VESTNIK STATISTIKI", NO. 10, P. 77, BEGINNING IN 1976 PLANNING AND ACCOUNTING INDICATORS WOULD BE REPORTED IN PRICES OF 1 JANUARY 1975 FOR INDUSTRY AND 1973 FOR AGRICULTURAL PRODUCTS INSTEAD OF THE PREVIOUSLY USED 1 JULY 1967 AND 1965 PRICES, RESPECTIVELY. THE INDUSTRIAL PRICE CHANGE WAS CONFIRMED IN "VESTNIK STATISTIKI" NO. 5, 1976, P. 9.

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2. COMPARISON OF 1975 MID-YEAR RESULTS AND SOVIET GROWTH

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CLAIMS FOR MID-1976 PERMITS ESTIMATION OF THE RELATIONSHIP BETWEEN 1967 AND 1975 INDUSTRIAL PRICES. THE ITEMS IN QUESTION HAVE EXPERIENCED PRICE DECLINES SINCE 1967 AS FOLLOWS:

ITEM	PRICE CHANGE (PERCENT)
METAL-CUTTING MACHINE TOOLS	-11
FORGE PRESS MACHINES	- 5
INSTRUMENTS	-23
COMPUTERS	-37
CHEMICAL EQUIPMENT	-14
FOOD INDUSTRY	-12
LIGHT INDUSTRY	-14
AGRICULTURAL MACHINERY	- 3
FURNITURE	- 5

3. THIS PRICE DECREASE REPRESENTS IN PART AN ATTEMPT TO SOAK UP SOME OF THE EXCESSIVE PROFITS OF THE MACHINERY SECTOR THAT HAVE BUILT UP OVER TIME BECAUSE OF THE SO CALLED "TEMPORARY" PRICES ASSIGNED TO PRODUCTION OF NEW TYPES OF MACHINERY. IN ORDER TO COVER R&D, PROTOTYPE AND EARLY "LEARNING CURVE" COSTS NEW PRODUCT PRICES ARE DELIBERATELY SET HIGH WHEN SERIAL PRODUCTION IS INITIATED. HOWEVER, CONTRARY TO OFFICIAL REGULATIONS THAT CALL FOR A DOWNWARD ADJUSTMENT TO A LOWER "PERMANENT" PRICE AS AVERAGE UNIT COSTS FALL WITH VOLUME PRODUCTION, ENTERPRISES ARE KNOWN TO MAINTAIN THE ORIGINAL HIGH "TEMPORARY" PRICES AS "PERMANENT" PRICES. SINCE OUTPUT OF NEW PRODUCTS--STARTING FROM A ZERO BASE--GROW FASTER THAN OTHER PRODUCTS, THE ENTERPRISE, THE "GLAVK", AND THEIR MINISTRY WILL REGISTER HIGHER GROWTH RATES THAN OTHERWISE. THIS IS THE PRINCIPAL REASON FOR AN UPWARD BIAS IN OFFICIAL GVO INDICATORS FOR INDUSTRIAL GROWTH. THE MAGNITUDES OF THE IMPLIED PRICE DECLINES ARE GENERALLY CONSISTENT WITH PRICE CHANGES PREVIOUSLY INTENDED TO GO INTO EFFECT ON 1 JANUARY 1973 (SEE ARTICLE BY V. K. SITNIN IN "EKONOMICHESKAYA GAZETE", NO. 32, AUGUST, 1972, P. 5).
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4. THE DISCREPANCY NOTED BETWEEN THE REPORTED GROWTH RATES AND THE REPORTED PHYSICAL PRODUCTION OF CARDBOARD PROBABLY REFLECTS REVISIONS IN THE MID-YEAR 1975 REPORT. USUALLY THE REPORTED PLAN FULFILLMENT INCLUDES THE INCREMENTAL DATA (I.E. THE DIFFERENCE BETWEEN PRODUCTION IN PHYSICAL UNITS THIS YEAR AND LAST YEAR). THIS DATA HOWEVER, WAS COMPLETELY OMITTED FROM THE 1976 MID-YEAR REPORT.

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5. THE SAME DISTORTIONS THAT PLAGUE THE PHYSICAL OUTPUT MEASURES FOR PRODUCTS, SUC' AS CARDBO;RD COULD ALSO PERTAIN TO THE VALUE MEASURES. THUS, IT IS POSSIBLE THAT THE IMPLICIT PRICE DECREASES SOME'HAT OVERSTATE THE EXTENT OF PRICE DECLINE, AND, AS A RESULT, EXAGGERATE THE GROWTH IN PRODUCTION. ROBINSON

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